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## **AI releases form to help analyze value of energy-efficient home features**

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The Appraisal Institute recently released a form intended to help analyze values of energy-efficient home features. It is the first of its kind intended for appraisers' use.

The industry leader in green valuation, the Appraisal Institute issued the form as an optional addendum to Fannie Mae Form 1004, the appraisal industry's most widely used form for mortgage lending purposes. Used by Fannie Mae, Freddie Mac and the Federal Housing Administration, Form 1004 is completed by appraisers to uphold safe and sound lending. Currently, the contributory value of a home's green features is rarely part of the equation.

"This addendum is another example of how the Appraisal Institute is at the forefront of real estate valuation," said Appraisal Institute president Joseph Magdizarz, MAI, SRA. "It will help the industry standardize the way residential energy-efficient features are analyzed and reported."

The Appraisal Institute's addendum allows appraisers to identify and describe a home's green features, from solar panels to energy-saving appliances. Form 1004 devotes limited attention to energy efficient features, so green data usually doesn't appear in the appraisal report, or it is included in a lengthy narrative that often is ignored.

Magdizarz pointed out that the Appraisal Institute's form also will make it easier for appraisers to determine whether recent home sales should be used as comparable sales. Sales that are truly comparable are key components in determining a property's value.

"We hope lenders, home builders, real estate agents and homeowners will take advantage of this new tool," Magdizarz said. "Mortgage lenders who want to see energy features analyzed should request the green addendum to be included with Form 1004. We also encourage lenders to provide the green addendum to homeowners so they can fill it out and provide it to their appraiser. If a new home is being appraised, home builders can use the addendum to provide data to appraisers. Real estate agents also can use the data to help populate the MLS."

The Appraisal Institute long has been the industry leader in green valuation. In addition to the new addendum form:

Since June 2008, the Appraisal Institute has offered more than 100 individual classroom courses, and more than 2,300 attendees have participated.

In January, the Appraisal Institute launched the Valuation of Sustainable Buildings Professional Development Program, educating appraisers on the intricacies of valuing high-performance residential and commercial buildings. The program includes two courses of eight hours each, with a third to debut early this year. All three courses have been approved for continuing education by the U.S. Green Building Council.

The Appraisal Institute was among the sponsors of the Vancouver Valuation Accord, an agreement to address the interrelationship of sustainability and valuation that was signed March 2007 in

Vancouver, British Columbia, Canada. Other sponsors included the province of British Columbia and the Globe Foundation.

The Appraisal Institute contributed to the Green MLS Tool Kit, issued in April 2010. The tool kit was created to help Realtors add a green initiative to their local multiple listing service. The tool kit provides guidance on enhancing data in the MLS, empowering appraisers to make well-supported comparisons, analyses and adjustments.

Published by the Appraisal Institute in June 2010, "An Introduction to Green Homes" by Alan Simmons, SRPA, LEED AP, provides the appraiser with an overview of programs, organizations, and products that relate to environmentally responsible building and remodeling.

Appraisal Institute leaders regularly speak on green valuation topics at events sponsored by organizations such as the United Nations Economic Commission for Europe and the U.S. Green Building Council.

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